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Community Facility Loans

Farmers Home Administration (FmHA) is authorized to make loans to develop community facilities for public use in rural areas and towns of up to 10,000 people. Any community eligible for credit from commercial or cooperative sources is not eligible for such a loan from the Farmers Home Administration.

All FmHA offices will help communities prepare their applications for review.

All applications will be considered without regard to the race, color, creed, sex, age, or national origin of members of the groups applying for assistance, and opportunity to construct, develop and use the facilities must be extended on this same basis.

Who May Receive Assistance?

Loans are available for public entities such as municipalities, counties, and special purpose districts. Nonprofit corporations may also receive loan assistance when adequate plans for loan repayments are made.

Priority will be given to municipal borrowers in communities smaller than 5,500 people to restore a deteriorating water supply, improve, enlarge or modify a water system or an inadequate sewer system.

In addition, borrowers must:

1. Be unable to obtain needed funds from other sources at reasonable rates and terms.
2. Have legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate and maintain the facilities or services.
3. Be financially sound, and able to or-



ganize and manage the facility effectively.

4. Base the project on taxes, assessments, revenues, fees or other satisfactory sources of money sufficient to pay for operation, maintenance, and reserve, as well as retire the debt.
5. Be consistent with available comprehensive and other development plans for the community, and comply with Federal, State and local laws.

How May Funds Be Used?

To construct, enlarge, extend or improve water, sewer and solid waste disposal systems, fire stations, libraries, hospitals, clinics, community buildings, industrial parks or other community facilities that provide essential service to rural residents, and to pay necessary costs connected with such facilities.

Borrowers may also use the money for roads, bridges, utilities and other improvements or to acquire interest in land, water rights, leases, rights-of-way and other forms of land or water control necessary to the development of the facility.

Interim commercial financing will normally be used during construction and FmHA funds will be available when the project is completed. If interim financing is not available or if the project costs less than \$50,000, multiple advances of FmHA funds may be made as construction progresses.

What Are the Terms?

The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority nor the useful life of the improvement or facility to be financed.

What Is The Interest Rate?

The interest rate currently is 5 percent on the unpaid principal.

What Security Is Required?

All loans will be secured to adequately protect the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. A mortgage may also be taken on real and personal property when State laws permit.

Where Will Applicants Obtain Technical Help?

The Farmers Home Administration will assist the applicant in making the first determinations regarding engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements.

If financing is provided, the Farmers Home Administration will make periodic inspections to see that funds are used as agreed upon.

When and How Is Application Made?

Applications may be obtained at the local county offices of the Farmers Home Administration. The county office staff will be glad to discuss services available from the agency and explain how to prepare a written application.

Are Grant Funds Available?

For water and waste disposal systems, grants may be available for up to 50 percent of project development costs. They will be made on projects that serve the most financially needy communities in order to reduce family user rates to a reasonable level.